
Avoiding Budgetcide

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What is budgetcide? It is cutting your own throat during difficult budgetary times. Administrators need to think through the implications of their reactions to tough fiscal times to be sure that they develop strategies that maintain their own value and belief structures as well as strategies that position them well for the future, when fiscal times are better.

Budgetcide is doing the wrong things for immediate or short-term gain without thinking about the long-term implications. One of the costliest lessons to be learned is that “doing nothing is doing something.” If you fail to develop a good plan to pull you through tough times, then that omission also constitutes doing something—something that leaves you at the mercy of other planners and puts you at risk for losing control of your environment.

With that in mind, it is important to understand what is going on in your political environment. Is this just hard fiscal times, or is it also an attempt to roll back your budget and permanently cut staff? It could be both, so you could help downsize your agency permanently while believing that you are only proposing short-term fixes. Because of this risk, you may not want to reveal all your cost-cutting or revenue growth strategies. Often the reward for being innovative is to have whoever controls your purse strings decide that more fat can be trimmed from your budget because you have found other means to manage.

Always ask for flexibility in managing your own budget. If you are handed a budget reduction number and told to eliminate a certain number of positions that will be lost forever, you are in a very difficult situation. It is always preferable to manage a reduction of a certain dollar amount or a percentage of the budget, so it is important to ask for the flexibility to use your experience and administrative skills to manage the budget. This will allow you to employ your own strategies and give you more options and flexibility. Remember:

- ◆ Layoffs and furloughs are better than permanent staff reductions.
- ◆ Managing vacancies is better than using furloughs and layoffs.
- ◆ The opportunity to develop new revenue streams could ease your problem by allowing you to keep needed staff.
- ◆ The flexibility to manage your own budget gives you the opportunity to craft solutions or take the reductions where you can best absorb them.

The Importance of Perception

Another aspect to keep in mind is others' perceptions of your actions. First, what will staff perceive is important to you? If you have been telling staff that assessments, responsiveness, and clinical supervision are very important, but you let them go during a fiscal crisis, staff will easily conclude that these approaches are not important to you. They will all just seem like one of those "here today and gone tomorrow" programs that staff prefer not to be burdened with. If you are running programs that are important to you and they constitute the right thing to do, then you must stand by them.

Another aspect of perception involves legislative or fiscal bureau oversight. Policymakers will watch very closely to see what is really important to you, and they will remember these priorities in future budget cycles. One hard lesson all administrators learn over the years is that promise-makers cannot always deliver on their promises. It's like the police detective who promises the criminal he can go home after giving a statement, only to come back and blame the lieutenant for over-riding him. The same can happen with budgets. The world is full of unkept promises.

Take Positive Steps

The previous comments about what to look out for are good starting points for avoiding budgetcide. Simply turn them into positive action steps:

- ◆ Avoid getting trapped into political downsizing.
- ◆ Do not give up your own strategies to manage internally. If you showed items as fees at the beginning of the fiscal year, they may be taken as budget offsets now. If you hold them close to the vest to manage your budget situation during the year, you will later look like a good fiscal manager.
- ◆ Be mindful of what you want others to perceive as critical programming for your department. If you don't think these programs are critical now, they probably won't be seen as critical later.
- ◆ Always manage alarming information effectively, and always provide consistent, accurate, and straightforward information. Do not provide inaccurate information to your staff, or the staff's confidence in your ability to manage will be eroded. It is frequently the case that those making decisions at other levels of fiscal management unintentionally provide you with misinformation and then correct it later. It is always best to sit on information for a day or two until the dust settles. When you are sure it is accurate, it can be disseminated to staff. It is critical that staff do not perceive a vacillating administrator when their jobs may be on the line.

What are some strategies to manage budget cuts that can help you maintain operations that are consistent with the values and beliefs of your department? Here are a few:

- ◆ Increase revenues by raising costs for services or increasing fees. There are probably many things that you have never charged for that you could. The possibilities include fees for community service, pretrial or pre-sentence investigation services, certain course offerings, drug testing, or enhanced treatment or supervision of sex offenders.
- ◆ Cut the cost of treatment contracts. This can be done in a number of ways. You could use the contract money to keep staff employed and assign them to work with a special offender group. It is also possible that the treatment agencies will be willing to cut their contract amounts (even by half) to continue a valued working relationship.
- ◆ Manage the vacancy factor, but be careful you do not lose critical positions.
- ◆ Delay large purchases, especially capital items such as vehicles.
- ◆ If you have the ability, use any year-end savings to buy contract services, urinalysis supplies, or other things for next year. This approach can help offset next year's budget.
- ◆ If you can pay any of next year's costs now, do so rather than revert the money at the end of the fiscal year. Such costs might include rent payments, contracts for equipment such as computers, or any other type of sinking fund. This approach will provide a cushion for the next fiscal year.

It is worth stating again that anything you can do to offset your fiscal liability after your budget has been set will allow you to maintain operations that are consistent with the values and beliefs of your department and will avoid (or minimize) the need to furlough, lay off, or terminate staff.

That brings us to another key point: Do everything in your power to retain the hard-working staff who have done their best to help weather the storm. If you ever had a thought of being remembered as an effective leader, this is your big chance. Let staff know that letting them go is not a choice you want to make. The only personal comment I will make in this article is that I have never (through all the worst of times over 30 years) furloughed, laid off, or terminated staff. I believe they are the best resource we have.

Managing Vacant Positions

Another issue that needs attention is how to manage vacant positions and point the agency toward recovery. To simply allow vacant positions to sit without managing them is a serious mistake when there are good strategies for doing otherwise.

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- ◆ Know how long you are allowed to keep positions vacant before someone thinks they are not needed and wants to eliminate them altogether. If the answer is 6 months or a year, plan accordingly.
 - ◆ Can you make a paper move to show these positions as funded by some other income source besides general fund dollars? Grants, contracts from other agencies, and new revenues from increased fees are some options.
 - ◆ Practice first in, first out. A position that has been vacant the longest is the one you should reactivate. Leave the just-vacated position open. That way you can keep all FTEs on the books for a longer period of time.
 - ◆ As you practice the above, reclassify all positions to “mission critical” positions as you fill them (i.e., reclassify a volunteer coordinator to a probation officer). This accomplishes two things. First, it will not be as tempting for someone reviewing your budget to want to eliminate “mission critical” positions. Second, an agency with vacant “mission critical” positions will get refunded more quickly than one with vacant positions that are not “mission critical.” Here is a likely scenario: A volunteer coordinator position has been vacant 11 months. Think first in, first out and reclassify this position (ID number and all) as a probation officer and fill the position to replace a probation officer position just vacated. The probation officer position just vacated (ID number and all) is your new “mission critical” vacancy.

Positioning for Recovery

In positioning your agency for recovery, be aware of options you may have for freeing current or future revenues.

Refinance. If you have been paying on the purchase of large capital items, especially buildings or property, it might be a good time to take advantage of lower interest rates and refinance. Some advantages include:

- ◆ Refinancing should lower your monthly or yearly payments and allow you to budget the same amount to meet other shortfalls.
- ◆ By refinancing, you may extend the life of the purchase agreement. That may be a benefit. It is possible that if the balance is paid during difficult fiscal times, the dollars that were dedicated to the payment would be reduced in a subsequent budget. If the same were true in healthy fiscal times, you quite likely would be allowed to keep that money for new capital projects or to develop new treatment options.
- ◆ Any expense that has the potential to end during a fiscal crisis will be seen as an easy place to get budget cuts.

It is hard for anyone to disagree with saving the taxpayers money, so your chances of getting approval to refinance should be very good. The worst-case

scenario is to make your last payment this year and then have those who control your purse strings decide that those funds would make a good start on next year's budget cuts.

Create a non-profit foundation. Another suggestion is to create your own private, non-profit foundation, if your state allows you to do so. This approach is generally easier in states where probation is not under the courts, but it can also be done in other states through special legislation. Advantages include:

- ◆ The possibilities to seek other grant opportunities are greater. You can have your own public/private partnership.
- ◆ You can contract with the foundation to provide services at lower costs than some current providers charge.
- ◆ The foundation may provide your department with grants. You can develop new revenue streams and ventures that realize revenues.
- ◆ Your own employees, who can't volunteer or work additional part-time hours for the department because of FLSA, can do so for a private foundation.
- ◆ You can also rehire just-retired public workers immediately.

In addition, the foundation can operate special programs like batterers education, cognitive programming, cultural specific programs, and others at a lower cost than other non-profits because it has a lower or no-profit margin and the best-qualified personnel. I practice what I preach here; our Community Corrections Improvement Association is now 11 years old.

In many communities there are already in place "community foundations" linked by a national association. Short of starting your own foundation, you may want to approach your local community foundation to see if it would help support your needs.

Seek support from another non-profit agency. Another option is to find another friendly non-profit that would assist with your needs. In some instances, several non-profits that normally serve offenders and their families have created umbrella partnerships with public agencies such as probation or community colleges to create "Partners in Accountability." These become a great vehicle for developing a public/private venture to deliver holistic or wrap-around services.

Political Realities Are Key

This has been just a quick study in some strategies to manage your budget during difficult fiscal times. As we all know, there is more to this problem than can be covered in such an article. In conclusion, remember the importance of understanding the politics of managing the budget:

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- ◆ Do not make managing the budget look too easy. If you can cut certain areas of the budget, make it hurt. If you can raise additional revenues, make it difficult.
 - ◆ Do not reveal all your strategies at the onset. Keep your cards close to the vest. If you present these options too soon, they may just offset additional budget cuts.
 - ◆ Avoid the appearance of fluff. Do not keep positions that are not “mission critical” if other departments are down to the bare bones.
 - ◆ Protect your staff. Manage vacancies effectively (first in, first out) and keep them as “mission critical.”
 - ◆ Maintain the values and beliefs of your department when the chips are down.
 - ◆ Remember that some options are too hard for policy-makers to cope with. For example, closing residential facilities may have too much impact on public safety or prison crowding. If you can demonstrate that is the only way to meet your budget, you may be spared some cuts.
 - ◆ Always think of how to position your department to recover in the next year or two. There will be better days ahead. Those who can demonstrate the most critical needs will get priority funding.
 - ◆ Manage the flow of information to staff so that only accurate information gets to them. Misinformation can have a devastating impact on morale. It can erode confidence in management.
 - ◆ Watch the unintended messages you send to community partners. If you have asked them to reduce contracts during this critical time, be frugal in other matters as well. Ask staff to be mindful of what they say.
 - ◆ If you are managing by increasing revenues, expect to see future budget offsets or be able to demonstrate why this is only an effective interim step.

By the way, I do have other strategies, but I would never write them down where someone who controls my budget would see them. If you have a need, call me! ■

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